



IFA Program Guide

The Single Family Department

Iowa Finance Authority
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Des Moines, Iowa 50312
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PROCESS OVERVIEW

1. Lender pre-screens Borrower for IFA eligibility.
2. Lender reserves respective IFA program(s) in Lender Online.
3. As early as possible, lender uploads pre-close submission through eDocs in Lender Online. Concurrently, lender completes credit underwriting in accordance with agency guidelines (FHA, VA, RD and FNMA/FHLMC).
4. IFA reviews all documentation for each reserved IFA program(s) uploaded through eDocs in Lender Online.
5. IFA verifies program eligibility and issues pre-close commitment(s)/conditions for each reserved IFA program.
6. Lender closes loan and advances any associated DPA on closing disclosure.
7. Upon closing, lender uploads post-close submission through eDocs in Lender Online.
8. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to master servicer.
9. IFA reviews all documentation uploaded to Lender Online and commits loan for purchase.
10. Master servicer reviews post-close delivery file.
11. Upon satisfactory review, master servicer purchases loan and reimburses lender for advanced DPA funds.

CREDIT OVERLAYS

The lender is responsible for underwriting according to applicable agency (FHA, VA, RD and FNMA/FHLMC) guidelines. IFA does not underwrite and will only conduct our eligibility review.

IFA's Specific Program Requirements are as follows:

- Minimum credit score of 640;
- Maximum total debt-to-income ratio of 45.00%;

Homebuyer Education: For conventional loans only (HFA Preferred and No MI), at least one first time home buyer signing the Note must complete the homebuyer education course, [FinallyHome](#). The education course must be completed prior to closing. For additional information, refer to [HBE FAQ](#).

All credit underwriting decisions should be made in regard to the most restrictive of the requirements between IFA and agency guidelines. It is up to the lender to be sure that all AUS findings have been addressed pertaining to the loan type being used.

Master Service will not purchase any loan without IFA's Eligibility Approval.

Foreclosure: Follow agency guidelines with regard to borrowers with recent foreclosure on credit report.

RESERVING AN IFA PROGRAM

In order to reserve an IFA program, the lender must utilize IFA's lender portal, [Lender Online](#). The lender must have a signed real estate contract and loan application (1003) in place **prior** to reservation of IFA program(s).

When a reservation has been made, the **interest rate is locked for 60 days**. The loan must close before the expiration of the reservation period to receive the locked rate.

RESERVATION CHANGES

If a change is necessary after the initial reservation, a loan change form should be completed and uploaded through eDocs in Lender Online. A loan change form is available in Lender Online under "Loan Status" by clicking on the "PDF docs" icon associated with reservation or by clicking on "Program Documents" at the top of the page. Examples of such changes may be loan amount, sale price, loan type, cancellation, etc. These requests will be processed within one business day of submission.

A request for cancellation and new reservation for an existing Borrower will not be permitted unless property has changed or the original expiration date has exceeded ninety (90) days. If the current reservation expiration date has not exceeded ninety (90) days, the existing reservation will remain and be subject to IFA's relock policy. For additional information, refer to our [Product Reservation & Rate Lock Policies](#), available on website.

Review our [Lender Online Manual](#) [COMING SOON] for more information related to making a reservation and other uses of our online portal.

IFA PRE-CLOSE ELIGIBILITY REVIEW

IFA's Pre-Close Eligibility Review is unique to our programs and must be performed by a Single Family Program Specialist for all IFA programs prior to closing. This includes IFAs with an associated Plus grant and Military Home Ownership Assistance (MHOA) grant. Prior to the loan closing, the lender is responsible for uploading a pre-close submission through eDocs in Lender Online per [pre-close transmittal](#). Ensure pre-close transmittal is complete with lender contact information and submitted with requested documentation in order of the transmittal. Underwriting documentation such as AUS findings, credit report, bank statements, etc. are not needed. In general a pre-close submission is fifty (50) pages plus copy of appraisal. Completion and use of this form is required. Once the loan has been determined to be eligible from a Program Specialist, a commitment will be issued by IFA along with conditions to be uploaded with post-close submission. Once commitment is issued, lender has approval from IFA to proceed with loan closing.

If loan remains incomplete after eligibility review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of incomplete file will be issued to the lender contact on pre-close transmittal. Any additional document uploaded through eDocs is considered a resubmission and our five (5) day review time will start over.

IFA's pre-close eligibility review consists of documenting three program requirements:

(1) First-Time Homebuyers

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the note, must be a First-Time Homebuyer (FTHB). Such persons must not have had an ownership interest in his or her principal residence at any time during the three (3) year period prior to the date on which the mortgage is executed.

Determination: The lender shall verify the FTHB requirement by obtaining from each prospective Borrower copies of the Borrower's tax returns which were filed with the Internal Revenue Services (IRS) for the last three- (3) years preceding the execution of the mortgage. IFA will accept copies of Tax Transcripts/Record of Account if copies of tax returns are not available. Review each return to determine whether the Borrower has claimed a deduction for taxes or a deduction for interest paid on a mortgage secured by real property which was the Borrower's principal residence. If such deduction was claimed, the lender must make additional determination of Borrower's FTHB status.

State income tax returns as are not used as an alternative to federal returns.

Scenarios that may impact First-Time Home Buyer

Exempt Status: There are two scenarios where a Borrower may qualify with an exemption to, utilize our FirstHome program even if they do not qualify as a first time home buyer.

- 1) Borrower is exempt from "first-time homebuyer requirement" due to other than dishonorable discharge from United States military service and has not previously received financing under the FirstHome program or similar program for financing the acquisition of a residence with funds made available through tax-exempt financing. Borrower to certify on *Purchaser Affidavit* (MRB01) by selecting option 1-b and providing copy of DD form 214; Or
- 2) Borrower is purchasing a residence located in a federally Targeted area. A listing of Targeted areas, by county, is available on our income and purchase price sheet. Borrower to certify on *Purchaser Affidavit* (MRB01) by selecting option 1-c.

Prior Ownership of a Mobile Home: Prior ownership of a mobile home may not disqualify a Borrower as a first-time homebuyer as long as review of the county assessor/treasurer web pages conducted confirm land is not taxed as real estate. Mobile home may not be permanently affixed to the land.

New Construction: The Borrower may not have had a prior mortgage or other financing on the subject residence, except in the following cases:

- **Bridge or Construction Loans:** A prior mortgage obtained for temporary financing, such as a bridge or construction loan, is acceptable provided that the mortgage has a stated

term of 24 months or less. Evidence that the bridge loan has been recorded must be provided.

Contract for Deed: A recorded contract for deed, or an installment sales contract, is not eligible with an IFA program.

Divorce within the last three years: A Borrower who has divorced within the last three (3) years and had an ownership interest in another residence may still qualify as a first-time homebuyer if the Borrower resided in another property for the three (3) years prior to the closing of the IFA loan. Review the Divorce Decree/Property Settlement section for ownership interest status and provide supporting documentation such as verification of residence (VOR) with move in/move out dates attesting to primary residency if the Borrower's principal residence for the most recent three (3) years was another property.

Separated Borrower: A non-occupying and non-borrowing spouse is not required to be a first time home buyer. Parties must certify on notarized 1010 statement of marital status.

Non-Occupant Co-Borrowers/Co-Signers: Co-signers are permitted in accordance with FHA, VA, RD and FNMA/FHLMC guidelines provided such co-signers will not have a present ownership interest in the residence subject to the Note. Co-Signers do not need to meet the income or three-year requirement for home ownership if they will not live in the residence. [For example, where a parent of a home purchase co-signs the note for a child, but the parent takes no interest in the residence, it is not necessary that the parent meet the three-year requirement since the parent is not a borrower of the residence].

(2) Income

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the Note, income is to be taken into account in determining the gross monthly income. The total income of borrowers shall not exceed the FirstHome program limit in effect at the time of loan closing. The determination of borrower's income must be made on the basis of information provided by the borrowers within the four (4) month period ending on the closing date for the loan.

Calculation: Total income is the borrower's gross annualized income. Annualized gross income is gross monthly income from current job(s), at the time of application and to loan closing. IFA also includes all income sources, as listed below, even if they are not used for qualifying. IFA projects all gross income forward for one year. If there is a change in income/employment between the time of making reservation and closing the loan, the lender must recalculate income to ensure the borrower is still within the income limits for the FirstHome program.

Income Limits: The total income must be equal to or less than the applicable income limits contained in [Single Family Income Limits](#), available on our website, for the FirstHome program. Income must be below the county limit at the time the loan is reserved. This includes those

purchasing in a targeted and non-targeted area. Program income limits typically change annually and are posted on our website.

For purposes of determining household size, those included are the borrowers and any dependents of said borrowers.

Documenting income

Paystubs/Verification of Employment: Total income is best documented by providing pay stubs and/or verification of employment (VOE) covering a consecutive 30-day period from each employer. Any bonus, overtime, or other sporadic income received from employer must be included on IFA's income worksheet. If borrower is new on job, obtain a full VOE with start date and breakdown of pay.

Self-Employed: To determine the income of a self-employed borrower, average their income using most recent two (2) years of federal income tax returns and a year-to-date Profit and Loss (P&L) Statement signed/dated by borrower for the current year. The current P&L does not have need to be an audited version. The P&L must state the gross income, the expenses, and the year-to-date net income. Calculate the historical monthly income and use that number to project the income forward (monthly average multiplied by twelve (12)).

Interest, Dividends and Other Net Income: Interest and dividends generated will be pulled from the prior year tax return and imputed on IFA's income worksheet. Lender to determine and provide documentation of any net rental generated from ownership of real estate property.

Child Support/Alimony: Child support and alimony payments must be included as income. The documentation needed to verify the amount of child support/alimony is a copy of the most current divorce decree and/or court order, which sets forth the amount of the support. Child support and/or alimony must be included in income calculations even if it is not being received by borrower or used for credit underwriting purposes. If no formal support order is in place, provide notarized [1010 statement](#).

Grants/Scholarships: If a borrower is currently in school, lender to determine how close the borrower is to the applicable income limit. If within \$10,000, lender to request copy of borrower's record of account from their school's financial aid office. Any grants and scholarships received beyond payable towards tuition and books must be included on IFA's income worksheet.

Non-Taxable Income: Social Security, disability, retirement/pension and other non-taxable income must be included in the income calculation for eligibility purposes. This includes any VA disability and retirement/pension. IFA does not gross up income when calculating income for eligibility purposes.

No Source of Income: Those who are seeking employment must also document the job field and potential wage earnings which will be projected over next 12 months and used for income purposes.

Job Changes/Previous Employment: If a borrower has changed employment, current or within the previous calendar year and employer is listed on the application (1003) with the start and termination dates, no further documentation is needed. If not listed on the application (1003), verify start and termination dates with a verification of employment. All w2s from the prior year must be verified. Verbal verifications are acceptable. Verify the start date of any new employment.

Separated Borrower: A non-occupying and non-borrowing spouse is not required to document income. Parties must certify on notarized 1010 statement of marital status.

Non-Occupant Co-Borrowers/Co-Signers: Co-signers are permitted in accordance with FHA, VA, RD and FNMA/FHLMC guidelines provided such co-signers will not have a present ownership interest in the residence subject to the Note. Co-Signers do not need to meet the income or three-year requirement for home ownership if they will not live in the residence.

Household Occupants 18 and Over: With the exception of the borrower's spouse living in the residence, family income is the total income for any person both liable on the Note and living in the residence

(3) Purchase Price Limit and Allowable Property Types

The total purchase price must be equal to or less than the applicable purchase price limits contained in our [Single Family Purchase Price Limits](#), available on our website, for the FirstHome program. In order for a property to be considered a qualified dwelling -

- 1) Borrower must acquire a fee simple interest in the real estate;
- 2) Home must become the principal place of residence of the borrower within 60 days after the closing of the IFA loan;
- 3) Residence must be located in state of Iowa;
- 4) Designed for residential use; and
- 5) Limited to a one unit property.

The following property types are allowed in accordance with agency guidelines (FHA, VA, RD, and FNMA/ FHLMC).

- 1) Single family detached home;
- 2) Townhome;
- 3) Condominium;
- 4) Planned Unit Development (PUD); or
- 5) Manufactured home.

Additional Standards and Requirements of a Qualified Dwelling:

New Construction: This must be the first time the unit will be occupied as a residence for it to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

Excess Land: Financing is limited to a residence located on land needed to reasonably maintain basic livability. If the appurtenant land that does not exceed five acres (unless the Authority, in writing, approves a greater amount) and reasonably maintains the basic livability of the residence, and which residence and appurtenant land does not provide, other than incidentally, a source of income to the Borrower. If the parcel of land is larger than five (5) acres it may still be okay, if we can demonstrate that applicable zoning requirements prevent the land upon which the residence is built from being subdivided into additional lots; then the land appurtenant to the residence does not prevent the entire property from being considered as property to be used by the owner as a residence.

Business Usage of Home: The borrower may not intend to, or have entered into an arrangement to rent, sell, assign or transfer any part of the property. Any portion of the residence, including the surrounding land and any outbuildings, may not be used primarily for purposes of a trade or business. If more than 15% of the residence is reasonably expected to be used in a trade or business, including child care services on a regular basis for compensation, may not be financed in the FirstHome. IFA will review the borrower's federal tax return for any business use of home.

Personal Property: A borrower may not finance personal property with the FirstHome program, therefore borrower to have own funds in transaction to cover the personal property. Instead of requiring each lender to independently verify the value of each personal property item, we have researched valuations across the State of Iowa and determined the median value for those most requested items. If standard personal property valuation is used, no further documentation is needed from lender. For more information, refer to our [Standard Personal Property Valuations](#), available on website. For items not listed on standard valuation sheet, lender is responsible for providing proper valuations such as current listing from Craigslist or other reputable source. Personal property includes items not attached to the home. The following are examples of personal property, but not limited to: washer, dryer, hot tub, pool table and lawn mower. Bill of Sale with no value is not acceptable.

Common items considered "attached" or built-in do not require valuation. These items include some of the following one kitchen refrigerator, one kitchen stove, one kitchen dishwasher or one kitchen microwave.

REQUIRED DOCUMENTS

Pre-Close

MRB01 –Affidavit of Purchaser and Recapture Notice

MRB03 – Seller Affidavit

Post-Close

Program Commitment

Recapture Notice

MRB04A – FHA/VA Rider to Mortgage

MRB04B – Conventional/Rural Development (RD) Rider to Mortgage

MRB04 rider must be signed at closing and attached to mortgage for recording.

FEES

IFA's goal is to offer affordable homeownership to borrowers across the state of Iowa. The lender's fees are limited to a one percent (1%) of loan or less.

Lenders may charge settlement or financing costs that do not exceed "usual and reasonable" costs which would be paid by the buyer where financing is not provided through an IFA program. Settlement fee is capped by IFA. For additional information, refer to our [Settlement and Financing Costs](#) , available on website. There are currently no fees paid directly to IFA.

Escrow holdbacks are allowable in accordance with agency guidelines (FHA, VA, RD and FNMA/ FHLMC) regarding escrows for repairs and work completion, etc. Note that IFA grant funds cannot be applied to holdbacks.

Lender will receive additional compensation for all loans based on the Service Release Premium (SRP) grid. To obtain maximum lender compensation, it is highly recommended that the loan is purchased within thirty (30) days of closing. If a loan has not been purchased within this time frame, lender is subject to SRP reduction. If a loan has not been purchased by the 90th day, IFA and master servicer are under no obligation to purchase the loan, additional SRP reductions will occur and the loan may be repriced. For additional information, refer to our [Mortgage Origination Agreement](#), available on website.

Master servicer will charge a tax service fee of \$59 which will be deducted from loan proceeds at the time of purchase. **Ensure this is labeled as payable to Idaho Housing and Finance Association on Closing Disclosure (CD).**

IOWA TITLE GUARANTY

Iowa Title Guaranty is required with all IFA program transactions. Iowa Title Guaranty provides Owner's Coverage at no cost if the buyer's lender has requested Lender's Coverage on a home valued at \$500,000 or less, and the buyer intends to occupy the home as their primary residence. This Certificate

protects the borrower's interest in the property's title, even after the home is sold. In addition, if a title defect is identified, Iowa Title Guaranty becomes the borrower's free legal defense.

IFA'S POST CLOSE REVIEW

The first mortgage loan must close in the lender's name and the IFA rider ([MRB04-FirstHome only](#)) is attached to, and recorded with, the first mortgage. After the loan has closed, the lender will:

1. Upload post-close submission through eDocs in Lender Online per post-close transmittal; and
2. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to master servicer.

Ensure Post-Close Transmittal is complete with lender contact information and submitted with requested documentation in order of the transmittal. Completion and use of this form is required. IFA's transmittal form is available in Lender Online under "Loan Status" by clicking on the "PDF docs" icon associated with reservation or by clicking on "Program Documents" at the top of the page. Master servicer's transmittal form is available in Lender Connection.

Allow a minimum of five (5) business days for IFA review and ten (10) business days of closing for master servicer review. Lender will be required to repurchase any loan files if determined to be non-compliant by either IFA or master servicer. To maximize lender compensation, it is highly recommended the package be uploaded as soon as possible after loan close.

FEDERAL RECAPTURE TAX

Borrowers receiving a mortgage loan from the proceeds of a tax-exempt bond receive the benefit of a lower interest rate than is customarily charged on other mortgage loans, therefore if the residence is sold or otherwise disposed of during the following nine years, this benefit may be "recaptured". The Internal Revenue Service (IRS) recaptures this benefit by increasing Borrower's federal income tax for the year in which the residence is sold. Borrower must pay the Recapture Tax, however, only if residence is sold at a gain and Borrower's income increases above specified levels. Within ninety (90) days of closing date, IFA will issue Borrower additional information to assist in calculating the recapture tax.

Borrowers may consult a tax advisor or local office of the IRS at the time the residence is sold to determine the amount, if any, of the recapture tax.

Recapture Tax Reimbursement: FirstHome loans that closed on or after November 14, 2011, and are required to pay any recapture tax upon sale or disposition of their residence may submit a [Reimbursement Request](#) by July 15th following the year in which the residence was sold. IFA will reimburse Borrower for the actual amount of any Recapture Tax paid to the IRS.

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IFA's pre-close eligibility review consists of documenting three program requirements:

(1) Ownership Status

First time home buyers or repeat home buyers are eligible for this program.

Prior Ownership of a Mobile Home: Prior ownership of a mobile home may not disqualify a Borrower as a first-time homebuyer as long review of the county assessor/treasurer web pages conducted confirm land is not taxed as real estate. Mobile home may not be permanently affixed to the land.

New Construction: The Borrower may not have had a prior mortgage or other financing on the subject residence, except in the following cases:

- **Bridge or Construction Loans:** A prior mortgage obtained for temporary financing, such as a bridge or construction loan, is acceptable provided that the mortgage has a stated term of 24 months or less. Evidence that the bridge loan has been recorded must be provided.

Contract for Deed: A recorded contract for deed, or an installment sales contract, is not eligible with an IFA program.

Separated Borrower: A non-occupying and non-borrowing spouse is not required to be a first time home buyer. Parties must certify on notarized 1010 statement of marital status.

Non-Occupant Co-Borrowers/Co-Signers: Co-signers are permitted in accordance with FHA, VA, RD and FNMA/FHLMC guidelines provided such co-signers will not have a present ownership interest in the residence subject to the Note. Co-Signers do not need to meet the income if they will not live in the residence. [For example, where a parent of a home purchase co-signs the note for a child, but the parent takes no interest in the residence, it is not necessary that the parent meet the three-year requirement since the parent is not a borrower of the residence].

(2) Income

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the Note, income is to be taken into account in determining the gross monthly income. The total income of borrowers shall not exceed the Homes for lowans program limit in effect at the time of loan closing. The determination of borrower's income must be made on the basis of information provided by the borrowers within the four (4) month period ending on the closing date for the loan.

Calculation: Total income is the borrower's gross annualized income. Annualized gross income is gross monthly income from current job(s), at the time of application and to loan closing. IFA also includes all income sources, as listed below, even if they are not used for qualifying. IFA projects all gross income forward for one year. If there is a change in income/employment between the time of making reservation and closing the loan, the lender

must recalculate income to ensure the borrower is still within the income limits for the Homes for lowans program.

Income Limits: The total income must be equal to or less than the applicable income limits contained in [Single Family Income Limits](#), available on our website, for the Homes for lowans program. Income must be below the limit at the time the loan is reserved. Program income limits typically change annually and are posted on our website.

For purposes of determining household size, those included are the borrowers and any dependents of said borrowers.

Documenting income

Paystubs/Verification of Employment: Total income is best documented by providing pay stubs and/or verification of employment (VOE) covering a consecutive 30-day period from each employer. Any bonus, overtime, or other sporadic income received from employer must be included on IFA's income worksheet. If borrower is new on job, obtain a full VOE with start date and breakdown of pay.

Self-Employed: To determine the income of a self-employed borrower, average their income using most recent two (2) years of federal income tax returns and a year-to-date Profit and Loss (P&L) Statement signed/dated by borrower for the current year. The current P&L does not have need to be an audited version. The P&L must state the gross income, the expenses, and the year-to-date net income. Calculate the historical monthly income and use that number to project the income forward (monthly average multiplied by twelve (12)).

Prior year tax return: Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the mortgage, must provide their prior year federal tax return and w2. State income tax returns as are not used as an alternative to federal returns.

Interest, Dividends and Other Net Income: Interest and dividends generated will be pulled from the prior year tax return and imputed on IFA's income worksheet. Lender to determine and provide documentation of any net rental generated from ownership of real estate property.

Child Support/Alimony: Child support and alimony payments must be included as income. The documentation needed to verify the amount of child support/alimony is a copy of the most current divorce decree and/or court order, which sets forth the amount of the support. Child support and/or alimony must be included in income calculations even if it is not being received by borrower or used for credit underwriting purposes. If no formal support order is in place, provide notarized [1010 statement](#).

Grants/Scholarships: If a borrower is currently in school, lender to determine how close the borrower is to the applicable income limit. If within \$10,000, lender to request copy of borrower's record of account from their school's financial aid office. Any grants and

scholarships received beyond payable towards tuition and books must be included on IFA's income worksheet.

Non-Taxable Income: Social Security, disability, retirement/pension and other non-taxable income must be included in the income calculation for eligibility purposes. This includes any VA disability and retirement/pension. IFA does not gross up income when calculating income for eligibility purposes.

No Source of Income: Those who are seeking employment must also document the job field and potential wage earnings which will be projected over next 12 months and used for income purposes.

Job Changes/Previous Employment: If a borrower has changed employment, current or within the previous calendar year and employer is listed on the application (1003) with the start and termination dates, no further documentation is needed. If not listed on the application (1003), verify start and termination dates with a verification of employment. All w2s from the prior year must be verified. Verbal verifications are acceptable. Verify the start date of any new employment.

Separated Borrower: A non-occupying and non-borrowing spouse is not required to document income. Parties must certify on notarized 1010 statement of marital status.

Non-Occupant Co-Borrowers/Co-Signers: Co-signers are permitted in accordance with FHA, VA, RD and FNMA/FHLMC guidelines provided such co-signers will not have a present ownership interest in the residence subject to the Note. Co-Signers do not need to meet the income if they will not live in the residence.

Household Occupants 18 and Over: With the exception of the borrower's spouse living in the residence, family income is the total income for any person both liable on the Note and living in the residence

(3) Purchase Price Limit and Allowable Property Types

The total purchase price must be equal to or less than the applicable purchase price limits contained in our [Single Family Purchase Price Limits](#), available on our website, for the Homes for lowans program. In order for a property to be considered a qualified dwelling -

- 1) Borrower must acquire a fee simple interest in the real estate;
- 2) Home must become the principal place of residence of the borrower within 60 days after the closing of the IFA loan;
- 3) Residence must be located in state of Iowa;
- 4) Designed for residential use; and
- 5) Limited to a one unit property.

The following property types are allowed in accordance with agency guidelines (FHA, VA, RD, and FNMA/ FHLMC).

- 1) Single family detached home;
- 2) Townhome;
- 3) Condominium;
- 4) Planned Unit Development (PUD); or
- 5) Manufactured home.

Additional Standards and Requirements of a Qualified Dwelling:

New Construction: This must be the first time the unit will be occupied as a residence for it to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

REQUIRED DOCUMENTS

Pre-Close

None

Post-Close

Program Commitment

FEES

IFA's goal is to offer affordable homeownership to borrowers across the state of Iowa. The lender's fees are limited to a one percent (1%) of loan or less.

Lenders may charge settlement or financing costs that do not exceed "usual and reasonable" costs which would be paid by the buyer where financing is not provided through an IFA program. Settlement fee is capped by IFA. For additional information, refer to our [Settlement and Financing Costs](#), available on website. There are currently no fees paid directly to IFA.

Escrow holdbacks are allowable in accordance with agency guidelines (FHA, VA, RD and FNMA/ FHLMC) regarding escrows for repairs and work completion, etc. Note that IFA grant funds cannot be applied to holdbacks.

Lender will receive additional compensation for all loans based on the Service Release Premium (SRP) grid. To obtain maximum lender compensation, it is highly recommended that the loan is purchased within thirty (30) days of closing. If a loan has not been purchased within this time frame, lender is subject to SRP reduction. If a loan has not been purchased by the 90th day, IFA and master servicer are under no obligation to purchase the loan, additional SRP reductions will occur and the loan may be repriced. For additional information, refer to our [Mortgage Origination Agreement](#), available on website.

Master servicer will charge a tax service fee of \$59 which will be deducted from loan proceeds at the

time of purchase. **Ensure this is labeled as payable to *Idaho Housing and Finance Association* on Closing Disclosure (CD).**

IOWA TITLE GUARANTY

Iowa Title Guaranty is required with all IFA program transactions. Iowa Title Guaranty provides Owner's Coverage at no cost if the buyer's lender has requested Lender's Coverage on a home valued at \$500,000 or less, and the buyer intends to occupy the home as their primary residence. This Certificate protects the borrower's interest in the property's title, even after the home is sold. In addition, if a title defect is identified, Iowa Title Guaranty becomes the borrower's free legal defense.

IFA'S POST CLOSE REVIEW

The first mortgage loan must close in the lender's name. After the loan has closed, the lender will:

1. Upload post-close submission through eDocs in Lender Online per post-close transmittal; and
2. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to master servicer.

Ensure Post-Close Transmittal is complete with lender contact information and submitted with requested documentation in order of the transmittal. Completion and use of this form is required. IFA's transmittal form is available in Lender Online under "Loan Status" by clicking on the "PDF docs" icon associated with reservation or by clicking on "Program Documents" at the top of the page. Master servicer's transmittal form is available in Lender Connection.

Allow a minimum of five (5) business days for IFA review and ten (10) business days of closing for master servicer review. Lender will be required to repurchase any loan files if determined to be non-compliant by either IFA or master servicer. To maximize lender compensation, it is highly recommended the package be uploaded as soon as possible after loan close.

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PROCESS OVERVIEW

1. Lender pre-screens Borrower for IFA eligibility.
2. Lender reserves respective IFA program(s) in Lender Online.
3. As early as possible, lender uploads pre-close submission through eDocs in Lender Online. Concurrently, lender completes credit underwriting in accordance with agency guidelines (FHA, VA, RD and FNMA/FHLMC).
4. IFA reviews all documentation for each reserved IFA program(s) uploaded through eDocs in Lender Online.
5. IFA verifies program eligibility and issues pre-close commitment(s)/conditions for each reserved IFA program.
6. Lender closes loan and advances any associated DPA on closing disclosure.
7. Upon closing, lender uploads post-close submission through eDocs in Lender Online.
8. Concurrently, lender will also upload post-close delivery file to Lender Connection, master servicer's portal, and forward original Note to master servicer.
9. IFA reviews all documentation uploaded to Lender Online and commits loan for purchase.
10. Master servicer reviews post-close delivery file.
11. Upon satisfactory review, master servicer purchases loan and reimburses lender for advanced DPA funds.

CREDIT OVERLAYS

The lender is responsible for underwriting according to applicable agency (FHA, VA, RD and FNMA/FHLMC) guidelines. IFA does not underwrite and will only conduct our eligibility review.

All credit underwriting decisions should be made in regard to the most restrictive of the requirements between IFA and agency guidelines. It is up to the lender to be sure that all AUS findings have been addressed pertaining to the loan type being used.

A borrower may not be issued an MCC in conjunction with a mortgage financed with tax exempt bonds, including IFA's FirstHome and FirstHome Plus Programs. However, the MCC may be used in conjunction with IFA's Homes for lowans Program, Homes for lowans Plus, and the Military Homeownership Assistance Program as well as other non-IFA first mortgage financing provided. Such financing is in the form of fixed rate, fully amortizing first mortgage loan and meets all other program requirements.

Homebuyer Education: For conventional loans only (HFA Preferred and No MI), at least one first time home buyer signing the Note must complete the homebuyer education course, [FinallyHome](#). The education course must be completed prior to closing. For additional information, refer to [HBE FAQ](#).

All credit underwriting decisions should be made in regard to the most restrictive of the requirements between IFA and agency guidelines. It is up to the lender to be sure that all AUS findings have been addressed pertaining to the loan type being used.

Master Service will not purchase any loan without IFA's Eligibility Approval.

Foreclosure: Follow agency guidelines with regard to Borrowers with recent foreclosure on credit report.

RESERVING AN IFA PROGRAM

In order to reserve an IFA program, the lender must utilize IFA's lender portal, [Lender Online](#). The lender must have a signed real estate contract and loan application (1003) in place **prior** to reservation of IFA program(s).

When a reservation has been made, the **interest rate is locked for 60 days**. The loan must close before the expiration of the reservation period to receive the locked rate.

RESERVATION CHANGES

If a change is necessary after the initial reservation, a loan change form should be completed and uploaded through eDocs in Lender Online. A loan change form is available in Lender Online under "Loan Status" by clicking on the "PDF docs" icon associated with reservation or by clicking on "Program Documents" at the top of the page. Examples of such changes may be loan amount, sale price, loan type, cancellation, etc. These requests will be processed within one business day of submission.

A request for cancellation and new reservation for an existing Borrower will not be permitted unless property has changed or the original expiration date has exceeded ninety (90) days. If the current reservation expiration date has not exceeded ninety (90) days, the existing reservation will remain and be subject to IFA's relock policy. For additional information, refer to our [Product Reservation & Rate Lock Policies](#), available on website.

Review our [Lender Online Manual](#) [COMING SOON] for more information related to making a reservation and other uses of our online portal.

IFA PRE-CLOSE ELIGIBILITY REVIEW

IFA's Pre-Close Eligibility Review is unique to our programs and must be performed by a Single Family Program Specialist for all IFA programs prior to closing. This includes IFA mortgages with an associated Plus grant and Military Home Ownership Assistance (MHOA) grant. Prior to the loan closing, the lender is responsible for uploading a pre-close submission through eDocs in Lender Online per [pre-close transmittal](#). Ensure pre-close transmittal is complete with lender contact information and submitted with requested documentation in order of the transmittal. Underwriting documentation such as AUS findings, credit report, bank statements, etc. are not needed. In general a pre-close submission is fifty (50) pages plus copy of appraisal. Completion and use of this form is required. Once the loan has been determined to be eligible from a Program Specialist, a commitment will be issued by IFA along with conditions to be uploaded with post-close submission. Once commitment is issued, lender has approval from IFA to proceed with loan closing.

If loan remains incomplete after eligibility review, lender will need to follow up and submit additional documentation to satisfy outstanding conditions. Email notification of incomplete file will be issued to the lender contact on pre-close transmittal. Any additional document uploaded through eDocs is considered a resubmission and our five (5) day review time will start over.

IFA's pre-close eligibility review consists of documenting three program requirements:

(1) First-Time Homebuyers

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the mortgage, must be a First-Time Homebuyer (FTHB). Such persons must not have had an ownership interest in his or her principal residence at any time during the three (3) year period prior to the date on which the mortgage is executed.

Determination: The lender shall verify the FTHB requirement by obtaining from each prospective Borrower copies of the Borrower's tax returns which were filed with the Internal Revenue Services (IRS) for the last three- (3) years preceding the execution of the mortgage. IFA will accept copies of Tax Transcripts/Record of Account if copies of tax returns are not available. Review each return to determine whether the Borrower has claimed a deduction for taxes or a deduction for interest paid on a mortgage secured by real property which was the Borrower's principal residence. If such deduction was claimed, the lender must make additional determination of Borrower's FTHB status.

State income tax returns as are not used as an alternative to federal returns.

Scenarios that may impact First-Time Home Buyer

Exempt Status: There are two scenarios where a Borrower may qualify with an exemption to, utilize our MCC program even if they do not qualify as a first time home buyer.

- 1) Borrower is exempt from "first-time homebuyer requirement" due to other than dishonorable discharge from United States military service and has not previously received financing under the MCC program or similar program for financing the acquisition of a residence with funds made available through tax-exempt financing. Borrower to certify on *Affidavit of Purchaser and Recapture Notice* (MCC01) by selecting option 1-b and providing copy of DD form 214; Or
- 2) Borrower is purchasing a residence located in a federally Targeted area. A listing of Targeted areas, by county, is available on our income and purchase price sheet. Borrower to certify on *Affidavit of Purchaser and Recapture Notice* (MCC1) by selecting option 1-c.

Prior Ownership of a Mobile Home: Prior ownership of a mobile home may not disqualify a Borrower as a first-time homebuyer as long review of the county assessor/treasurer web pages conducted confirm land is not taxed as real estate. Mobile home may not be permanently affixed to the land.

New Construction: The Borrower may not have had a prior mortgage or other financing on the subject residence, except in the following cases:

- Bridge or Construction Loans: A prior mortgage obtained for temporary financing, such as a bridge or construction loan, is acceptable provided that the mortgage has a stated term of 24 months or less. Evidence that the bridge loan has been recorded must be provided.

Contract for Deed: A recorded contract for deed, or an installment sales contract, is not eligible with an IFA program.

Divorce within the last three years: A Borrower who has divorced within the last three (3) years and had an ownership interest in another residence may still qualify as a first-time homebuyer if the Borrower resided in another property for the three (3) years prior to the closing of the IFA loan. Review the Divorce Decree/Property Settlement section for ownership interest status and provide supporting documentation such as verification of residence (VOR) with move in/move out dates attesting to primary residency if the Borrower's principal residence for the most recent three (3) years was another property.

Separated Borrower: A non-occupying and non-borrowing spouse is not required to be a first time home buyer. Parties must certify on notarized 1010 statement of marital status.

Non-Occupant Co-Borrowers/Co-Signers: Co-signers are permitted in accordance with FHA, VA, RD and FNMA/FHLMC guidelines provided such co-signers will not have a present ownership interest in the residence subject to the Note. Co-Signers do not need to meet the income or three-year requirement for home ownership if they will not live in the residence. [For example, where a parent of a home purchase co-signs the note for a child, but the parent takes no interest in the residence, it is not necessary that the parent meet the three-year requirement since the parent is not a borrower of the residence].

(2) Income

Any persons, who are expected both to live in the residence being financed and to be secondarily liable on the Note, income is to be taken into account in determining the gross monthly income. The total income of borrowers shall not exceed the MCC program limit in effect at the time of loan closing. The determination of borrower's income must be made on the basis of information provided by the borrowers within the four (4) month period ending on the closing date for the loan.

Calculation: Total income is the borrower's gross annualized income. Annualized gross income is gross monthly income from current job(s), at the time of application and to loan closing. IFA also includes all income sources, as listed below, even if they are not used for qualifying. IFA projects all gross income forward for one year. If there is a change in income/employment between the time of making reservation and closing the loan, the lender must recalculate income to ensure the borrower is still within the income limits for the MCC program.

Income Limits: The total income must be equal to or less than the applicable income limits contained in [Single Family Income Limits](#), available on our website, for the MCC program. Income must be below the county limit at the time the loan is reserved. This includes those purchasing in a targeted and non-targeted area. Program income limits typically change annually and are posted on our website.

For purposes of determining household size, those included are the borrowers and any dependents of said borrowers.

Documenting income

Paystubs/Verification of Employment: Total income is best documented by providing pay stubs and/or verification of employment (VOE) covering a consecutive 30-day period from each employer. Any bonus, overtime, or other sporadic income received from employer must be included on IFA's income worksheet. If borrower is new on job, obtain a full VOE with start date and breakdown of pay.

Self-Employed: To determine the income of a self-employed borrower, average their income using most recent two (2) years of federal income tax returns and a year-to-date Profit and Loss (P&L) Statement signed/dated by borrower for the current year. The current P&L does not have need to be an audited version. The P&L must state the gross income, the expenses, and the year-to-date net income. Calculate the historical monthly income and use that number to project the income forward (monthly average multiplied by twelve (12)).

Interest, Dividends and Other Net Income: Interest and dividends generated will be pulled from the prior year tax return and imputed on IFA's income worksheet. Lender to determine and provide documentation of any net rental generated from ownership of real estate property.

Child Support/Alimony: Child support and alimony payments must be included as income. The documentation needed to verify the amount of child support/alimony is a copy of the most current divorce decree and/or court order, which sets forth the amount of the support. Child support and/or alimony must be included in income calculations even if it is not being received by borrower or used for credit underwriting purposes. If no formal support order is in place, provide notarized [1010 statement](#).

Grants/Scholarships: If a borrower is currently in school, lender to determine how close the borrower is to the applicable income limit. If within \$10,000, lender to request copy of borrower's record of account from their school's financial aid office. Any grants and scholarships received beyond payable towards tuition and books must be included on IFA's income worksheet.

Non-Taxable Income: Social Security, disability, retirement/pension and other non-taxable income must be included in the income calculation for eligibility purposes. This includes any VA

disability and retirement/pension. IFA does not gross up income when calculating income for eligibility purposes.

No Source of Income: Those who are seeking employment must also document the job field and potential wage earnings which will be projected over next 12 months and used for income purposes.

Job Changes/Previous Employment: If a borrower has changed employment, current or within the previous calendar year and employer is listed on the application (1003) with the start and termination dates, no further documentation is needed. If not listed on the application (1003), verify start and termination dates with a verification of employment. All w2s from the prior year must be verified. Verbal verifications are acceptable. Verify the start date of any new employment.

Separated Borrower: A non-occupying and non-borrowing spouse is not required to document income. Parties must certify on notarized 1010 statement of marital status.

Non-Occupant Co-Borrowers/Co-Signers: Co-signers are permitted in accordance with FHA, VA, RD and FNMA/FHLMC guidelines provided such co-signers will not have a present ownership interest in the residence subject to the Note. Co-Signers do not need to meet the income or three-year requirement for home ownership if they will not live in the residence.

Household Occupants 18 and Over: With the exception of the borrower's spouse living in the residence, family income is the total income for any person both liable on the Note and living in the residence

(3) Purchase Price Limit and Allowable Property Types

The total purchase price must be equal to or less than the applicable purchase price limits contained in our [Single Family Purchase Price Limits](#), available on our website, for the MCC program. In order for a property to be considered a qualified dwelling -

- 1) Borrower must acquire a fee simple interest in the real estate;
- 2) Home must become the principal place of residence of the borrower within 60 days after the closing of the IFA loan;
- 3) Residence must be located in state of Iowa;
- 4) Designed for residential use; and
- 5) Limited to a one unit property.

The following property types are allowed in accordance with agency guidelines (FHA, VA, RD, and FNMA/ FHLMC).

- 1) Single family detached home;
- 2) Townhome;
- 3) Condominium;
- 4) Planned Unit Development (PUD); or

- 5) Manufactured home.

Additional Standards and Requirements of a Qualified Dwelling:

New Construction: This must be the first time the unit will be occupied as a residence for it to qualify as new construction. A model home qualifies, provided it was never rented nor occupied as a residence prior to being sold.

Excess Land: Financing is limited to a residence located on land needed to reasonably maintain basic livability. If the appurtenant land that does not exceed five acres (unless the Authority, in writing, approves a greater amount) and reasonably maintains the basic livability of the residence, and which residence and appurtenant land does not provide, other than incidentally, a source of income to the Borrower. If the parcel of land is larger than five (5) acres it may still be okay, if we can demonstrate that applicable zoning requirements prevent the land upon which the residence is built from being subdivided into additional lots; then the land appurtenant to the residence does not prevent the entire property from being considered as property to be used by the owner as a residence.

Business Usage of Home: The borrower may not intend to, or have entered into an arrangement to rent, sell, assign or transfer any part of the property. Any portion of the residence, including the surrounding land and any outbuildings, may not be used primarily for purposes of a trade or business. If more than 15% of the residence is reasonably expected to be used in a trade or business, including child care services on a regular basis for compensation, may not be financed in the MCC. IFA will review the borrower's federal tax return for any business use of home.

Personal Property: A borrower may not finance personal property with the MCC program, therefore borrower to have own funds in transaction to cover the personal property. Instead of requiring each lender to independently verify the value of each personal property item, we have researched valuations across the State of Iowa and determined the median value for those most requested items. If standard personal property valuation is used, no further documentation is needed from lender. For more information, refer to our [Standard Personal Property Valuations](#), available on website. For items not listed on standard valuation sheet, lender is responsible for providing proper valuations such as current listing from Craigslist or other reputable source. Personal property includes items not attached to the home. The following are examples of personal property, but not limited to: washer, dryer, hot tub, pool table and lawn mower. Bill of Sale with no value is not acceptable.

Common items considered "attached" or built-in do not require valuation. These items include some of the following one kitchen refrigerator, one kitchen stove, one kitchen dishwasher or one kitchen microwave.

REQUIRED DOCUMENTS

Pre-Close

MCC01 –Affidavit of Purchaser and Recapture Notice

MCC03 – Seller Affidavit

Post-Close

Program Commitment

FEES

Participating Lender Sign-Up Fee

- Current IFA Participating First Mortgage Lenders – None
- For lenders not participating with IFA’s First Mortgage Programs
 - For 1-5 branches listed on IFA website **\$500**
 - For 6 or more branches listed on IFA website **\$1000**

Lender MCC Processing Fee

- Up to **\$250**; This fee may be charged to the borrower and retained by the lender for actual costs incurred in processing

Lender Financing Fees

- Lenders may charge settlement or financing costs that do not exceed “usual and reasonable” costs which would be paid by the buyer where financing is not provided through an IFA program. Settlement fee is capped by IFA with use of an IFA Mortgage. For additional information, refer to [Settlement and Financing Costs](#), available on website.

Borrower Application Fee

- IFA Mortgage, Homes for lowans – Waived
- Non-IFA Mortgage Financing - **\$500** per application

Borrower Re-Issuance Fee

- \$250 per application for re-issuance of an MCC

Escrow holdbacks are allowable in accordance with agency guidelines (FHA, VA, RD and FNMA/ FHLMC) regarding escrows for repairs and work completion, etc. Note that IFA grant funds cannot be applied to holdbacks.

IOWA TITLE GUARANTY

Iowa Title Guaranty is required with all IFA program transactions. Iowa Title Guaranty provides Owner’s Coverage at no cost if the buyer’s lender has requested Lender’s Coverage on a home valued at \$500,000 or less, and the buyer intends to occupy the home as their primary residence. This Certificate protects the borrower’s interest in the property’s title, even after the home is sold. In addition, if a title defect is identified, Iowa Title Guaranty becomes the borrower’s free legal defense.

IFA'S POST CLOSE REVIEW

The first mortgage loan must close in the lender's name with associated MCC. After the loan has closed, the lender will:

1. Upload post-close submission through eDocs in Lender Online per post-close transmittal

Ensure Post-Close Transmittal is complete with lender contact information and submitted with requested documentation in order of the transmittal. Completion and use of this form is required. IFA's transmittal form is available in Lender Online under "Loan Status" by clicking on the "PDF docs" icon associated with reservation or by clicking on "Program Documents" at the top of the page. Allow a minimum of five (5) business days for IFA review.

FEDERAL RECAPTURE TAX

Borrowers receiving a mortgage loan from the proceeds of a tax-exempt bond receive the benefit of a lower interest rate than is customarily charged on other mortgage loans, therefore if the residence is sold or otherwise disposed of during the following nine years, this benefit may be "recaptured". The Internal Revenue Service (IRS) recaptures this benefit by increasing Borrower's federal income tax for the year in which the residence is sold. Borrower must pay the Recapture Tax, however, only if residence is sold at a gain and Borrower's income increases above specified levels. Within ninety (90) days of closing date, IFA will issue Borrower additional information to assist in calculating the recapture tax.

Borrowers may consult a tax advisor or local office of the IRS at the time the residence is sold to determine the amount, if any, of the recapture tax.

Recapture Tax Reimbursement: MCC files associated with IFA's Homes for Iowans loan program that closed on or after March 05, 2018, and are required to pay any recapture tax upon sale or disposition of their residence may submit a [Reimbursement Request](#) by July 15th following the year in which the residence was sold. IFA will reimburse Borrower for the actual amount of any Recapture Tax paid to the IRS.

Military Home Ownership Assistance (MHOA)

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